

Manager
Company Announcement Office
Australian Stock Exchange Limited
Level 4, 20 Bridge Street
Sydney NSW 2000

30 April 2007

STOCK EXCHANGE ANNOUNCEMENT

Quarterly Report on Mining and Exploration Activities for the Quarter ended 31 March 2007

OPERATIONS REVIEW

Australian China Clays Limited (ACC)

A number of shareholders have sought clarification on the proposed float of ACC in London. ACC is currently an amalgamation of all our China clay assets into one focused business entity and now operates as such with a dedicated management team. The proposed London listing is to facilitate future fund raising for this business in a financial market that has the advantage of an in depth knowledge of kaolin, as England is a major exporter of China clays. ACC will continue to be a major asset of MSC and we trust a very profitable one in the years to come as the mines are long life mines. The float will not be pursued too early so as to deny MSC a good valuation for this business and the float proceeds aims to allow MSC to broaden its base into other projects. In particular, we have emerging potentially large projects in Zircon and Copper/Uranium, both of which are high value commodities. At present, we get no market value for these projects as they are too early in their development, however we believe this will change this year as field work accelerates.

ACC is currently completing preparatory float documentation in consultation with its brokers and lawyers.

Chinese Kaolin Export Agencies

After a period of two years of customer testing and approvals in European and other markets with the usual minor start up volumes of products being shipped, these products are now rapidly expanding into several thousand tonnes of confirmed future orders. During the quarter all bagged stocks have effectively been exhausted and this business is gearing up for immediate expansion.

Skardon River Kaolin

During the quarter the company has made pleasing progress in its sales development with larger customers. As announced recently, Skardon River Kaolin is in discussion with a number of prospective buyers that we anticipate will provide for numerous thousands of tonnes of future sales. Of these, approximately 40 new accounts are significant kaolin consumers. This is in addition to approximately 60 existing customers which have been using small volumes and are now increasing their offtake.

No significant production occurred in the quarter. A production run has commenced near quarter end in order to meet increasing orders.

Swan River Kaolin

Pilot plant production continued in the quarter and has now effectively completed its principal tasks successfully. A Business Plan for Swan has been prepared for further action during the next quarter and an independent project valuation is being finalised. This project enjoys good infrastructure, (water and energy), and excellent access to road, rail and ports. The products have received relatively quick positive customer feedback as they fit well into existing product profiles currently on the market, except Swan provides superior brightness.

Geology

Updated resource figures for Swan River are being processed. Due to the strong interest shown in our Skardon River fluvial clays, plans are in process to significantly expand these reserves.

CORPORATE

During the quarter, the Company completed a private placement of 90,555,556 shares raising \$2 million for working capital.

Further preparation work has been carried out during the quarter on the proposed float and "spin off" of **China Century Capital Limited** as this is not regarded as a core business of MSC for the future. This IPO was delayed due to documentation requirements and updates on PRC regulatory changes, however we expect the Prospectus to be lodged in the current quarter. **CCC's** investments in China continued to achieve advancement in their objectives and we expect that this IPO will be successfully received by the market. A broker underwriting for A\$5 million is verbally agreed which provides **CCC** with its desired minimum cash raising.

MSC has entered into discussions with **Gulf Energy Pty Ltd** regarding potential future natural gas supply from its offshore exploration programme in the Bamaga Basin, approximately 150 klms north west of Skardon River. **Gulf Energy** has identified pre-drilling targets of numerous potentially large containers, (trillions of TCF), which are considered highly prospective for oil and gas. These targets underlie shallow 60 metre water depth. MSC's objective in these discussions is to prospectively secure long term low cost energy supply.



C V Alexander
Managing Director

About MSC:

MSC has commissioned a world class china clay (kaolin) project at Skardon River, in northern Queensland which is currently in the marketing roll out stage. Additional premium quality kaolin projects are being developed in China and Western Australia which will transform MSC into a leading regional based supplier with a full range of exceptionally high grade kaolin products for the paper, paint, polymer, cosmetic, pharmaceutical and ceramic industries focused on S. E. Asia and selected world markets.

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